



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Treaty Oak Bancorp, Inc. (Treaty Oak Bank)

Person to be contacted regarding this report:	Jeffrey L. Nash, President
CPP Funds Received:	\$3,268,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/16/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	3228579
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	22512
City:	Austin
State:	Texas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Pending CPP funding Bancorp (TOBI) issued short-term debt, proceeds from which were contributed to Treaty Oak Bank (TOB) as additional capital. (At CPP funding in January, 2009 CPP funds were partially used to retire the short-term debt.) Addl. capital at TOB was used for lending.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Lending at TOB is targeted at medium to small business loans, residential and commercial real estate loans and agricultural loans.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Over the past year TOB has significantly increased reserves for non-performing and substandard loans.

<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	TOB took charges of approximately \$2.2 million in 2009. We are contemplating restating our 12/31/09 call report for additional loan loss reserves of approximately \$1.1 million.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

In late 2008 the prospect of CPP investment permitted Treaty Oak Bancorp, Inc. to sell short-term debt which in turn generated the contribution of additional capital to Treaty Oak Bank thereby allowing the Bank to continue its lending activities rather than curtailing such. Following CPP investment a portion of CPP proceeds were used to retire the short-term debt with the balance of CPP funds held in reserve either for additional capital contribution to the Bank or as a sinking fund for CPP investment.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Treaty Oak Bancorp, Inc. would not have had the capacity to sell short-term debt and eventually contribution additional capital to Treaty Oak Bank. CPP ultimately allowed the Bank to continue its lending activities.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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